

**United States Senator Orrin G. Hatch**  
**President Obama's First Two Budget and Anticipating his Next Budget: Comments**

**January 25, 2011**

Mr. President, in recent months President Obama has frequently discussed our nation's disturbing fiscal situation. He is right to do so.

Our yearly deficits and accumulated debt hang over the futures of our children and grandchildren like a Sword of Damocles.

Though he was late to the table on this issue, President Obama seems to have finally recognized the frustration and anger of the American people over our Federal fiscal policy.

Recognizing that you have a problem is an important first step, and I applaud the Administration for speaking about our nation's structural deficits.

But this is a critical issue, and any solution will require that those responsible give a full and fair accounting of the policies that led to this crisis.

Unfortunately, rather than own up to his Administration's complicity in our fiscal imbalance, the President prefers to blame our current and future fiscal problems on the previous Administration.

For this President, the buck always seems to stop over there.

This trope is getting old.

Well before citizens began organizing against this Administration and its historic spending spree, the President and his Democratic allies in Congress were justifying their stimulus program by blaming the previous Administration. Yet, trying to pass off the consequences of the last two years on a long-retired President and a Congress that ended over four years ago is no longer plausible.

Try as they might, revisionist fiscal history will not absolve our friends on the other side for the fiscal decisions made on their watch.

I'll explain that point separately, and in detail, in a few days.

It is well past time that this Administration stop pointing fingers. The American people are demanding that their elected representatives, in Congress and the White House, act like adults and fix this fiscal mess.

In a few weeks, President Obama will send Congress his third budget.

The fact that Treasury Secretary Geithner has already written us requesting legislation to raise the debt ceiling does not bode well for citizens seeking greater spending restraint from this Administration.

The people of Utah and of this nation deserve a fair accounting of the spending decisions that have led to this request.

Let me be clear.

The President's desire for a larger level of public debt is a consequence of the fiscal policy choices that he and a Democratic Congress have made over the last two years.

Between 2007 and 2010, Democrats enjoyed unprecedented control over federal policy. When the President was inaugurated two years ago, he set to work with historic majorities in both the House and Senate.

Never letting a crisis go to waste, he sought a fundamental restructuring of the American economy, one in which government would play a starring role.

Thanks to our Founders' design, the American people were able to go to the ballot box, and give their opinion about these spending policies.

Unfortunately, the Administration and its allies did not curb their spending in response to democratic uprisings.

The people spoke -- first in Virginia and New Jersey, then in Massachusetts, and finally, last summer, nationwide.

But the Democrats, rather than adjust their policies accordingly, just kept on spending.

The tab for this binge is almost beyond description. In the two years that Democrats controlled Washington, our debt has risen by almost \$3 trillion.

I have a chart documenting these staggering hikes in the debt limit.

During the short period of all-Democratic rule, the law was changed to raise the debt ceiling on three separate occasions.

On February 17, 2009, President Obama signed a debt limit increase bill of \$789 billion, the cost of the stimulus bill at that time.

On December 28, 2009, President Obama signed a debt limit increase bill of \$290 billion.

And on February 12, 2010, President Obama signed a third debt limit increase bill of \$1.9 trillion.

These dollar figures, in terms of the percentage of the economy they represent, are breathtaking

I, like most other members on both sides of the aisle, eagerly await the President's State of the Union address. The President is a gifted speaker. And in his usual, eloquent manner, I'm sure he will skillfully lay out his fiscal and economic policy goals.

As the incoming Ranking Republican on the Finance Committee, let me be the first to say that Republicans are happy to hear the President contemplating serious deficit reduction proposals. We would be overjoyed if he actually took a stand for a meaningful attack on structural deficits and the debt.

But we will judge his proposals harshly if they provide mere window dressing, rather than bold efforts to address a spending trajectory that is approaching crisis status.

Willie Sutton, the infamous bank robber, was asked why he robbed banks.

By the way, here's a chart depicting a photo of Mr. Sutton from Life.com.

How'd Willie respond?

He allegedly said he robbed banks because that's where the money is.

If President Obama wants to propose credible deficit reduction proposals, he needs to go where the deficit dollars are.

And what is the source of those deficits?

Taking Willie Sutton's answer to heart, where do we look for those deficits?

They are in the trillions of dollars in new spending that the American taxpayer has been burdened with by this Administration.

Non- defense discretionary spending, by itself, has grown by 24 percent over the last couple of years.

And that 24 percent figure does not include the stimulus bill spending!

If stimulus spending is included, non-defense discretionary spending has grown by 84 percent.

That's right, Mr. President, 84 Percent.

How many typical taxpaying American families have grown their budgets by that much in the last couple of years?

Let's take a look at the Gallup weekly survey of daily consumer spending as a comparison. I have a chart which shows the trend line in daily consumer spending.

Over here, you can see from the chart consumer spending before the financial crisis of Fall 2008 and the recession.

It's running near or above \$100 per day.

Then what happens?

Americans cut back their extra spending.

It's right here on the rest of the chart.

Is it any wonder Americans are telling us to cut our spending?

They've cut spending. Why can't we in Washington do the same?

When the President laid out his last two budgets, the loudest bipartisan applause came when he stressed fiscal discipline.

That reaction should surprise no one. Though conservatives led the way, the American people understand that deficit reduction is not a partisan issue. If the promises of our Declaration of Independence and Constitution – promises of liberty and opportunity – are to mean anything for future generations, our country needs to take up deficit reduction now.

Republicans are going to insist on meaningful deficit reduction as a course correction to our currently unsustainable fiscal path. As our nation comes out of this painful slow-growth period -- hopefully sooner rather than later -- we must focus on cutting the deficit, and the debt.

As Republicans, we agree with the President on the priority of fiscal discipline.

But deeds mean more than words.

And twice, the President's budget, in spite of rhetorical nods to fiscal discipline, has gone in the direction of unpaid-for spending, new government programs and entitlements, and massive financial burdens on the next generation of American taxpayers.

The numbers don't lie.

The President and the Democratic Leadership have dramatically expanded the deficit and piled onto the debt.

Two years ago, Republicans and Democrats dramatically disagreed on the stimulus bill. Out of all the Republicans in the House and Senate, only three supported the stimulus bill conference report.

Along with most of my Republican colleagues, I rejected this stimulus bill for several reasons.

First was the size and the form of the stimulus. Most on our side understood that \$1 trillion in deficit spending was an unacceptable burden on the people who would ultimately foot the bill.

Second, we questioned the focus of the stimulus. We weren't keen on trying to grow the economy by priming the government pump. Spending \$1 trillion of taxpayer money on the academic theory that you have to spend money to make money was a gamble the American taxpayer could not afford. And last year, while the Administration and its allies were out promoting Recovery Summer, citizens in Utah and around the country had long before figured out that the Administration's stimulus bet was a big loser.

Finally, what disturbed *us most* was the hidden fiscal burden built into the bill. Although sold as a \$787 billion bill, the real cost of the stimulus was, in fact, much higher.

I'm going to use a chart to show this hidden cost of the stimulus bill. This chart was produced last year, but will be updated when we receive the Congressional Budget Office baseline.

According to the non-partisan CBO, if popular new programs in the stimulus bill are made permanent, the cost will be \$3.3 trillion.

To use Washington speak, the greatest threat of the new stimulus bill was that it raised the baseline.

This is a nifty trick if you can pull it off.

Its purpose is to open any future spending cuts, no matter how modest, to withering attack.

Here's how it works.

First, Democrats raise spending for some program -- to borrow from George Costanza, we will call it The Human Fund.

After Democrats take control of Congress and the White House, spending for The Human Fund goes up by 25 percent, from \$1,000,000 to \$1,250,000.

Then, when the people reject this spending and send Republicans to roll it back, efforts to cut that spending by a meager 5 percent, from \$1,250,000 to \$1,187,500, leads all of the interest groups dependent on this federal money to scream that the sky is falling

An attack on The Human Fund is an attack on all that is decent in this country!

Never mind that this program is still substantially better off than before the Democrats' massive increase in spending.

All that we will hear is that Republicans are ruthlessly seeking to cut 5 percent from this program's budget.

And so it goes.

Our deficit and debt continue to grow as irresponsible and unaffordable increases in spending are baked into our budgetary cake.

This strategy of raising the baseline is on full display in the stimulus bill and the threat that its programs – sold to the public as temporary – will become permanent.

This chart details CBO's analysis of the stimulus

Let's move from left to right on the chart.

The first column is the basic cost of the bill. If the Making Work Pay refundable tax credit is extended, there's \$571 billion in future deficits.

It's in the second column. If the new entitlement spending in the stimulus is made permanent, then the cost of the bill more than doubles.

It means almost \$1 trillion in new hidden entitlement spending right here. In the fourth column, we have the appropriations spending.

If those increases become permanent, then there is \$276 billion in new non-defense discretionary appropriations in this bill.

Finally, we have the rent on all this borrowed money. That's the interest expense. CBO tells us that the interest cost alone on the overt new spending and the hidden new spending from the stimulus totals \$744 billion. Total it all up, and you get \$3.3 trillion.

Not \$787 billion.

The total cost of the stimulus is \$3.3 trillion.

Our nation can simply no longer afford this.

Mr. President, these are CBO figures. They're not from a conservative think tank.

There are a couple of simple ways for the stimulus bill supporters to correct this trajectory.

If they want to keep the long-term cost of the stimulus down, they could agree to make all of the stimulus provisions temporary.

Or they could agree to offset extensions of stimulus spending with other spending cuts.

But our friends on the other side have done just the opposite. They've insisted on extending the policy in the stimulus bill without offsets in other areas of spending.

Mr. President, you'll recall then National Economic Council Director Larry Summers' three T's tests for stimulus.

To be effective, the stimulus needed to be Timely, Targeted, and Temporary

It is failure on that third T, the Temporary test, which has been very troubling. Two years into this failed economic experiment, and Democrats still refuse to agree that temporary stimulus proposals should remain temporary.

The path forward is not going to be easy.

While we do have a recent example of deficit reduction, it was not generated by this Administration or its congressional allies. If you want to look at enacted legislation over the last decade, there is one significant spending reduction bill. It was the Deficit Reduction Act of 2005. It contained a modest amount of deficit reduction.

The deficit reduction attained was \$35 billion.

And how did we achieve those savings?

That bill was accomplished through reconciliation.

The other side opposed it in lock step.

In the end, only Republican votes carried that stand-alone deficit reduction measure.

Yet, now American taxpayers are being asked to believe that Democrats have found religion on deficits and debt.

Our friends on the other side will, no doubt, say time out.

We've produced a significant deficit reduction bill, they will say.

They will point to last year's Obamacare legislation. They will argue that this bill, which creates massive new entitlements, somehow saves money. Our Democratic friends will even cite a CBO score showing \$230 billion in deficit reduction from this bill.

This assertion does not pass the laugh test.

Anyone who looks beyond the basic score will see that Obamacare is another huge deficit generator that will burden the American taxpayer for generations to come.

House Budget Committee Chairman Paul Ryan released an analysis, derived from CBO data, that tells the full story of Obamacare's deficit impact. Here's what Chairman Ryan said. And I quote:

Claims of deficit reduction exclude the \$115 billion needed to implement the law. The score double-counts \$521 billion from Social Security payroll taxes, CLASS Act premiums, and Medicare cuts. It strips a costly doc-fix provision that was included in initial score. It measures 10 years of revenues to offset 6 years of new spending. There is no question that the creation of a new trillion-dollar, open-ended entitlement is a fiscal train wreck.

Add it all up and the fiscal reality is that Obamacare busts the budget by \$701 billion.

I ask unanimous consent that a copy of Chairman Ryan's analysis be inserted in the record.

This double counting of the Medicare cuts is a dangerous accounting gambit. Former Senator Gregg and I warned the Medicare trustees about it in a letter last year. I ask unanimous consent that a copy of that letter be inserted in the record.

A clear pattern has emerged with respect to Democratic rhetoric on the budget. They speak loudly about deficit reduction, while continuing to write checks that this nation cannot cash.

Mr. President, consider the last debt limit increase bill, which included the much ballyhooed statutory pay-go scheme. My friends on the other side speak of it frequently.

But they have *also* been the most frequent violators of both the spirit and letter of statutory pay-go.

The Senate Republican Policy Committee analyzed all of the spending offsets and other budget restraints rejected since statutory pay-go was adopted.

I ask unanimous consent that a copy of this analysis be included in the record.

Total it up and you will find that the cost of Democrats end-running their own pay-go rule meant almost \$280 billion in additional deficit spending.

I think this point needs to be very clear.

Senate Republican attempts to force our friends on the other side to abide by the letter or spirit of their own pay-go rule were rebuffed for almost all of last year. This was not some academic exercise. And now the American taxpayer is on the hook for roughly \$280 billion, courtesy of Democrats purportedly committed to spending restraint.

Still, we are heartened that Democrats are at least claiming a commitment to deficit reduction.

Talking tough is a necessary -- *though not sufficient* -- step toward getting our fiscal house in order.

Similarly, it is a positive development that the President has endorsed passage of the U.S.-Korea Free Trade Agreement. Maybe the Administration is waking up to the importance of our pending trade agreements for our exports and the workers that make them.

But the proof of his commitment to our exporters must go beyond the Korea FTA. We can no longer let our trade agreements with Panama and Colombia languish as we lose competitiveness and allow other countries to seize these markets for their workers.

Talking about trade does not produce jobs.

We need the President to take action and submit these agreements to Congress.

And we need that action now.

The U.S. worker cannot afford to wait.

Passage of these trade agreements can boost our economy and our competitiveness without additional spending. They are important tools that we must put to work. If the President chooses this route, I believe he will find an important ally in Congress.

I look forward to President Obama's proposals for prioritizing deficit reduction. There is no issue more critical to this nation's future.

And I expect we'll hear quite a bit about it in the State of the Union address.

The President can count on applause from our side of the aisle if he presses for reductions in out-of-control spending.

But merely re-labeling new spending as investments will not make our deficits go away, and it will do nothing to tackle our escalating debt.

The President must give serious attention to the legitimate arguments and concerns of conservative citizens if he wants to achieve anything more than a pleasant sounding rhetorical flourish.

President Obama did inherit a serious budget deficit.

And our friends on the other side will, once again, applaud that line.

They will cheer the assertion that they merely inherited deficits.

They will spin the convenient tale that Republicans alone bequeathed the deficit to President Obama.

But that is not the case.

And the record is clear.

A Democratic Congress and a Republican President created this deficit from bipartisan policies they jointly developed.

To those Democrats who claim Republicans have no right to discuss deficits, they need look no further than their own actions.

Take a look at the fiscal effects of the stimulus bill they crafted two years ago.

Take a comprehensive look at the real deficit impact of Obamacare.

Take an honest look at the appropriations bills that piled on double-digit increases in spending.

American families don't have the luxury of 84 percent or 24 percent increases in their spending. They've made their priorities and restrained their spending.

If American families can prioritize, deleverage, and live within their means, I hope the President will push his allies in Washington to do the same.

All of us in Congress await the arrival of President Obama's third budget.

The American people are demanding that he make deficit reduction a priority.

And they are asking Congress to approach this subject in an intellectually honest fashion.

We need to acknowledge that when it comes to the budget, the road to fiscal ruin has been paved with good intentions.

In the name of fixing the economy, the Democrats' stimulus bill has imposed both short term and long term costs on American taxpayers, jeopardizing economic growth, and with it, liberty and opportunity.

That damage has been expanded with un-offset extensions of what we were told were temporary provisions.

As we start writing a budget, let's do it with all the fiscal cards on the table.

Let's remove the political blinders and deal with the fiscal facts.

And that means being realistic about expiring tax relief, its merits, its economic growth effect, and its political popularity.

This is not a problem that we can tax our way out of.

Getting our fiscal house in order is going to require hard decisions on spending.

We need to put our shoulders to the wheel.

We owe it to the people that sent us here.



There's an old saying that applies here.

I'm not the first person, nor will I be the last, to reference it in the context of our fiscal troubles.

The saying is -- when you find yourself in a hole, stop digging.

We need to use our shovels to fill the fiscal hole, not dig it deeper.

I look forward to this debate on spending.

It will not be an easy one.

But the American people have demanded that Congress take up this cause, and I intend to.

Ultimately, I am confident that we will achieve meaningful deficit reduction.

Yet, I go into this debate with my eyes open.

President Reagan, in the foreign policy arena, reminded us to trust, but verify.

As we await the President's State of the Union speech, Republicans trust that Democrats will make a nod toward deficit reduction, but we will need to verify whether they are serious about getting this problem under control.

Democrats do not have a great track record when it comes to cutting spending.

But hope springs eternal.

I yield the floor.